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INTRODUCTION

The Office of Internal Audit performed an audit of Isabella County FIA for the period October 1, 1999 through August 22, 2000. The objectives of our audit were to determine if internal controls in place at the local office provide reasonable assurance that departmental assets are safeguarded, transactions are properly recorded on a timely basis, and policies and procedures of the Michigan Family Independence Agency (FIA) are being followed. Isabella County FIA had 50 full time equated positions (FTE's) at the time of our review. Isabella County FIA provided assistance to an average 2,694 recipients per month during FY 1999, with total assistance payments of \$3,125,343 during that year.

SCOPE

Our audit was performed in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. We obtained descriptions of significant systems operating at the Isabella County FIA, documented those systems, and evaluated controls in each system. We tested the systems for compliance, where feasible. Our audit included the following:

Cash Receipts	Cash Disbursements
General Ledger	Modified Accrual Basis Balance Sheet
Safe and Controlled Documents	Food Stamp Inventory and Issuance
Medical Transportation	State Emergency Relief (SER)
Employment Support Services	Client Processing
CIS/ASSIST	IRS Information Security
Payroll and Timekeeping	Procurement Card
Telephone Usage	Child Well Being

EXECUTIVE SUMMARY

Based on our audit, we conclude that the Isabella County FIA internal controls are generally adequate to provide management with reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorization. The attachment of supporting documentation to the FIA849 (Payment Authorization) and FIA4663 (Employment and Training Expenditures Authorization) and correct reconciliation of the check signing log will improve control over disbursements.

Isabella County FIA implemented corrective action for items 1-4 and 8-9 while our auditor was still on-site.

LOCAL OFFICE RESPONSE

The management of Isabella County FIA has reviewed all findings and recommendations included in this report. They indicated in a memorandum dated September 25, 2000 that they are in general agreement with the report.

FINDINGS AND RECOMMENDATIONS

Cash Receipts

No findings in this area.

Cash Disbursements

Reconciliation of the Check Signing Log with the Check Register

1. Isabella County FIA did not reconcile the check-signing log with the check register in accordance with established procedures. The beginning and ending check numbers of the checks recorded in the Check Register were not used in this reconciliation process.

Accounting Manual Item 410.1, page 2, requires the beginning and ending numbers of the checks reported on the check register be used to reconcile the number of checks recorded in the accounting records to the number of checks signed and recorded on the check signing log. In order for this control procedure to be effective, the check numbers must be obtained from the check register.

WE RECOMMEND Isabella County FIA use the beginning and ending check numbers of the checks reported on the Check Register to reconcile the check signing log with the check register as required by Accounting Manual Item 410.1.

General Ledger

Cash Reserve File

2. Isabella County FIA did not maintain a Cash Reserve file as required by Accounting Manual (ACM) 402.6, pages 1 & 7. Maintaining a file with documentation for its establishment and transactions affecting the Cash Reserve will ensure that the cash reserve is appropriately documented and accounted for.

WE RECOMMEND Isabella County FIA establish and maintain a Cash Reserve file as required by Accounting Manual Item 402.6.

Modified Accrual Basis Balance Sheet

No findings in this area.

Safe and Controlled Documents

No findings in this area.

Food Stamp Inventory and Issuance

No findings in this area

Medical Transportation

No findings in this area.

State Emergency Relief

Supporting Documentation for State Emergency Relief Payments

3. Isabella County FIA did not follow established procedures for State Emergency Relief (SER) payments submitted to the Fiscal Office for reconciliation with the FIA839, 93 (A) Issuance Report (ES440). For June 2000 the ES440 Report listed forty-nine payments for thirty-six customers. Twenty-three of the payments did not have documentation attached to the FIA849 (Authorization Invoice) on file in the Fiscal Office.

Primary Internal Control Criteria for Local/District Office operations and Accounting Manual (ACM) 404, page 3, requires an original invoice/bill from the vendor to be attached to the FIA849/screen print forwarded to the fiscal office for reconciliation to the ES440 report.

Attaching the invoice/bill to the Fiscal Office copy of the FIA849 helps ensure that payments are accurate and appropriate.

WE RECOMMEND Isabella County FIA attach a copy of the invoice/bill to the Fiscal Office copy of the FIA849 as required by the MFIA Internal Control Criteria and Accounting Manual 404.

Employment Support Services

Supporting Documentation for Employment Support Services Payments

4. Isabella County FIA did not always attach supporting documentation to the FIA4663 (Employment and Training Expenditures Authorization) submitted to the Fiscal Office for payment. Ten of eighteen payments reviewed did not have any supporting documentation attached to the FIA4663. Documentation for these payments was located in the case record.

Attaching the vendor invoice to the FIA4663 improves internal control over the Employment Support Services expenditures reducing the risk of inappropriate and inaccurate payments.

WE RECOMMEND Isabella County FIA attach a copy of the invoice/bill to the FIA4663 (Employment and Training Expenditures Authorization) submitted to the Fiscal Office for payment.

Prohibited Employment Support Services Expenditure

5. Isabella County FIA did not adhere to written policy for one payment charged to Employment Support Services (ESS) expenditures. One of the eighteen payments examined was for a past due telephone bill of \$323.75.

Program Eligibility Manual (PEM) Item 232, pages 13 and 14 states that ESS funds cannot be used for: telephone installation, overdue telephone bills, or phone cards.

WE RECOMMEND Isabella County FIA charge only expenditures allowed by Employment Support Services Policy to the Employment Support Services program.

Refund of Auto Insurance Paid with Employment Support Services Funds

6. Isabella County FIA did not receive an insurance refund of \$247.00 on auto insurance paid by Isabella County FIA for a customer. Instead the insurance company issued the refund to the customer. The existence of the refund to the customer was determined when the insurance company was contacted by an Isabella County Family Independence Manager (FIM).

WE RECOMMEND Isabella County FIA recoup the insurance refund from the customer.

Client Processing

No findings in this area.

CIS/ASSIST

Client Information System (CIS) Status Codes

7. Isabella County FIA had assigned Client Information System (CIS) Status Codes to staff that were inconsistent with job responsibilities. The Family Independence Managers (FIM) had been assigned “BUR” status on CIS.

Internal Control Criteria established by the Family Independence Agency states that Family Independence Managers should be assigned inquiry (INQ or REG) status on CIS or, if they are assigned a status above inquiry, all supervisor transactions on the MA010 report should be reviewed by independent staff.

Assigning CIS status codes to allow staff access to transactions that are inconsistent with their job functions increases the risk of unauthorized transactions being processed.

WE RECOMMEND Isabella County FIA either change the CIS status codes of the Family Independence Managers to inquiry status on CIS (INQ or REG), or have independent staff review any supervisor transactions that appear on the MA010 report.

Customized Client Information System (CIS) Status Codes

8. Isabella County FIA had customized the CIS status codes for five staff that would allow them access to CIS in another county (CIS status code “CNTY”). This was done when Isabella and Gratiot Counties had a Dual County Director.

This status code is no longer necessary since the two counties do not have a Dual County Director.

WE RECOMMEND Isabella County FIA remove the “CNTY” customized CIS status code for the five staff.

IRS Information Security

No findings in this area.

Payroll and Timekeeping

No findings in this area.

Procurement Card

No findings in this area.

Telephone Usage

No findings in this area.

Child Well Being

Referrals to County Health Department

9. Isabella County FIA did not follow FIA policy for referring customers that had cases closed because of employment sanctions to the Isabella County Health Department. During the period October 1, 1999 through June 30, 2000 nine cases were closed because of employment sanctions. However none of these cases were reviewed to determine if a referral to the Isabella County Health Department was required.

L Letter L-00-017 states that all targeted families must be referred. The family becomes part of the target group if closed to FIP (Family Independence Program) for 30 days or more due to an employment-related sanction. Families closed to codes 403, 404, 405 or otherwise due to employment-related sanctions are to be referred once the closure has lasted 30 days.

WE RECOMMEND the Isabella County FIA Child Well Being Liaison staff review the nine cases closed due to employment-related sanctions from October 1999-June 2000 to determine their current status and make any necessary referrals.